

Idaho Legislative Audits  
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Department of Environmental Quality  
Drinking Water State Revolving Fund

Management Report on Financial Procedures

Issued: May 12, 2004  
Fiscal Year: 2003



## ***EXECUTIVE SUMMARY LEGISLATIVE AUDITS***

### **IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY DRINKING WATER STATE REVOLVING FUND**

**PURPOSE AND SCOPE.** We have audited the financial statements of the Idaho Department of Environmental Quality, Drinking Water State Revolving Fund for the fiscal year ended June 30, 2003, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine if the Drinking Water State Revolving Fund's financial statements are materially accurate and reliable, and that the Fund complied with laws and regulations affecting fiscal operations. The U.S. Environmental Protection Agency (EPA) and the Idaho Department of Environmental Quality (DEQ) have agreed that a separate annual financial and compliance audit of the Fund will be completed.

**CONCLUSION.** We conclude that the Fund's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Fund's financial statements.

**FINDINGS AND RECOMMENDATIONS.** There are no findings and recommendations in this report, nor were there any findings and recommendations in the prior report.

**AGENCY RESPONSE.** The Department has reviewed the report and is in general agreement with its contents.

**FINANCIAL SUMMARY.** The Fund is financed by grants from the EPA and State matching funds. The Fund is used to finance infrastructure needs of public water systems in order to achieve or maintain compliance with the Federal Safe Drinking Water Act requirements and to protect public health. Fund operations began in fiscal year 1998, and the Fund's first loan was made in fiscal year 1999. The financial activity of the Fund for fiscal year ended June 30, 2003 is summarized as follows:

**Drinking Water State Revolving Fund**  
**Statement of Net Assets at June 30, 2003**

<b>ASSETS:</b>	
<u>Current Assets</u>	
Cash	\$942,897
Loans Receivable	313,783
Interest Receivable	219,769
Due from State	1,372,878
 <u>Non-Current Assets</u>	
Loans Receivable	<u>18,061,425</u>
 TOTAL ASSETS	 <u>\$20,910,752</u>
 <b>LIABILITIES:</b>	
<u>Current Liabilities</u>	
Miscellaneous Payables	<u>\$10,555</u>
 TOTAL LIABILITIES	 <u>\$10,555</u>
 <b>NET ASSETS:</b>	
Unrestricted	<u>\$20,900,197</u>
 TOTAL NET ASSETS	 <u><u>\$20,900,197</u></u>

**Drinking Water State Revolving Fund**  
**Statement of Revenues, Expenses, and Changes in Net Assets for the Year Ended June 30, 2003**

<u>Operating Revenues</u>	
Interest Earned – Loans	\$501,805
Interest Earned - Fund Balance	<u>18,000</u>
Total Operating Revenues	<u>\$519,805</u>
 <u>Operating Expenses</u>	
Personnel Costs	\$123,038
Indirect Administrative Expenses	47,774
Other Expenses	<u>36,264</u>
Total Operating Expenses	<u>\$207,076</u>
 Operating Income	 \$312,729
 <u>Non-Operating Revenues</u>	
Contributions from EPA	5,425,182
Contributions from State	1,253,494
State Match Earned	<u>254,240</u>
Total Non-Operating Revenue	<u>\$6,932,916</u>
 Changes in Net Assets	 \$7,245,645
Net Assets - Beginning of Year	<u>13,654,552</u>
Net Assets - End of Year	<u><u>\$20,900,197</u></u>

**OTHER ISSUES.** We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Department of Environmental Quality, the U.S. Environmental Protection Agency, and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank the director, C. Stephen Allred, and his staff for their assistance and cooperation given to us during this audit.

**QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:**

Ray Ineck, CGFM, Supervisor, Legislative Audits

Thomas Haddock, CPA, CGFM, Managing Auditor

Report SA24603

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
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